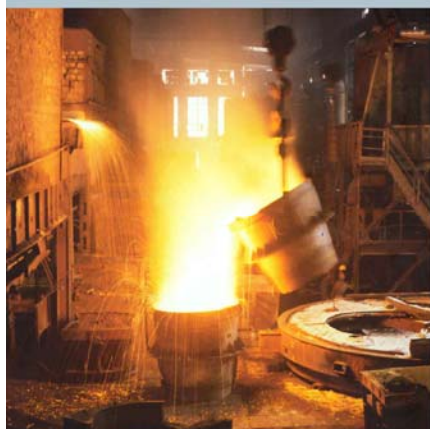


17 November 2009



Focus: SFE Copper market - Chinese buying again? Monday saw a huge, net 11.5%, jump in SFE copper open interest, coupled with a big jump in the copper price. Tuesday has seen SFE prices continue to pick up along the forward curve, however open interest has declined slightly, likely representing a combination of short covering and profit taking.

- After yesterday's rally in precious metals, we believe that stocks may consolidate today. Equities in Asia are down, and so are the equity futures markets. US Treasury yields are down, signaling reduced risk appetite. There could be price movements ahead of data releases in the US. PPI, long-term TIC flows and industrial production are on the menu today. We believe gold remains well supported on the downside.
- Crude oil benchmarks recovered on Monday, and gold hit a new high as the US dollar weakened and data showed that Japanese GDP grew at 4.8%.
- Copper exploded into life yesterday, energizing the rest of the base metals complex too. The base metals finished the day very strongly, although outside of copper, volumes remained pretty average. Aluminium has been the only metal to push higher this morning, with the rest of the complex appearing to take a breather after yesterday's action.

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Commodity price data (16 November 2009)**Base metals LME 3-month**

	Open	Close	High	Low	Daily change	Change (%)	Cash Settle	Change in cash settle	Cash – 3m
Aluminium	1,974	2,048	2,050	2,012	90	4.64	1,940.00	37	-32.25
Copper	6,700	6,850	6,842	6,780	335	5.14	6,700.50	201	-19.25
Lead	2,321	2,390	2,390	2,348	115	5.05	2,290.50	50	-20.50
Nickel	16,500	16,800	16,950	16,630	600	3.70	16,460.00	275	-58.00
Tin	14,700	14,825	14,910	14,700	-50	-0.34	14,880.00	25	79.00
Zinc	2,212	2,280	2,275	2,237	105	4.83	2,200.00	64	-26.25

Energy

	Open	Close	High	Low	day/day	Change (%)
ICE Brent	78.80	78.35	78.90	78.21	-0.41	-0.52%
NYMEX WTI	78.93	78.39	79.07	78.31	-0.51	-0.65%
ICE Gasoil	629.00	628.75	629.75	626.25	0.25	0.04%
API2 Q1'10	67.80	66.90	-	-	-0.90	-1.35%
ICE EUA Dec09	12.61	12.58	-	-	-25.19	-0.24%

Precious metals

	AM Fix	PM Fix	High bid	Low offer	Closing bid	Change (d/d)	EFPs
Gold	1,128.75	1,130.00	1,143.70	1,126.00	1,138.70	22.20	-1.0/0.3
Silver	-	18.11	18.43	17.79	18.37	1.01	-1.0/1.0
Platinum	1,442.00	1,424.00	1,450.00	1,422.00	1,445.00	65.00	3/5
Palladium	371.00	369.00	375.00	362.00	372.00	19.00	0/2

Sources: Standard Bank; LME; BBG



Focus: SFE Copper market - Chinese buying again?

Monday saw a huge, net 11.5%, jump in SFE copper open interest, coupled with a big jump in the copper price. Tuesday has seen SFE prices continue to pick up along the forward curve, however open interest has declined slightly, likely representing a combination of short covering and profit taking. Fig.1 plots the evolution of the forward curve and changes in open interest during this period.

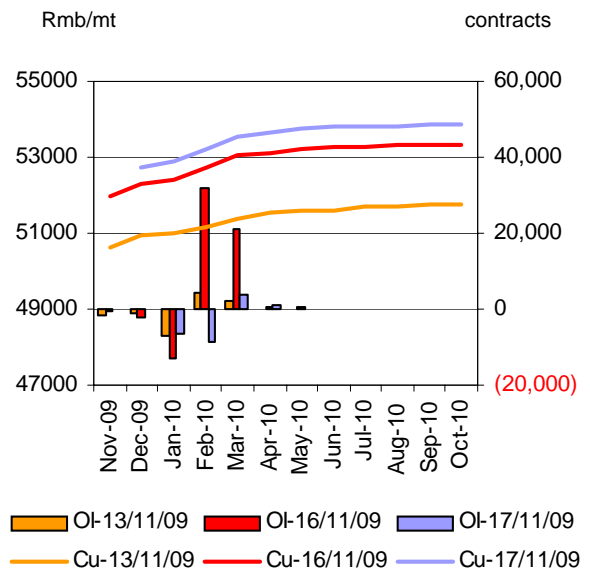
Ultimately however, this leaves two questions: what was the rationale behind Monday's activity? And was Monday just a flash in the pan or will we start to see sustained activity?

Although order books may well be picking up, this is not yet being reflected in the physical markets. The suddenness of Monday's move therefore suggests that other factors were behind the move, the most likely being Chinese concerns over the potential for further dollar weakness should the Yuan-Dollar peg remain in place, and the impact this may have on imported inflation.

Interestingly, should the Chinese government allow the Yuan to appreciate against the dollar at some point in the future, then dollar denominated commodities would become cheaper for Chinese consumers, potentially leading to even more buying activity.

Looking forward, the impact of fluctuations in the Yuan and government policy in terms of the Yuan peg, will have a real impact on commodity markets. Unfortunately, for the bears out there, either

Fig 1: SHFE forward curve vs Change in Open Interest



Source: Standard Bank, SFE

way, the impact also looks to be bullish for commodities, with perhaps the only respite coming from a significant deterioration in the Eurozone area and/or weakness in the Euro.

By Leon Westgate

Base metals

Copper exploded into life yesterday, energizing the rest of the base metals complex too. The base metals finished the day very strongly, although outside of copper, volumes remained pretty average. Aluminium has been the only metal to push higher this morning, with the rest of the complex appearing to take a breather after yesterday's action.

With momentum having faded for the moment, focus will likely turn to this afternoon's US economic data, including the October PPI index (expected +0.5% m-o-m), Net Long-Term TIC Flows (expected at \$30.0 billion) and the October Industrial Production figures (expected +0.4%).

After receiving a kick start from China, copper had a very busy day on Monday with over 14,000 lots trading on LME Select - more than double Friday's turnover - with 3-month prices also setting a fresh high for the year of \$6,865 in the process. Although copper closed very strongly on Monday, there has been a lack of follow through buying this morning, with profit taking emerging instead. The red metal has however managed to shrug off a stronger dollar and is trading sideways around the \$6,800 mark heading into the afternoon.

Meanwhile, the drip feed of copper into Asian LME warehouses resumed today, with 1,900 mt entering the warehouse at Busan. Overall, on-warrant copper stocks climbed by 2,950 mt, the other main location for the increase being St Louis.

Aluminium has been the strongest metal this morning, reaching a high of \$2,050 after stops were triggered. Prices have since drifted back slightly, with the metal coming under a bit of pressure from the stronger dollar. Elsewhere, on-warrant LME inventories climbed 23,000 mt this morning, the main factor being a 19,100 mt inflow into Detroit. Given the lack of impact on the price, it seems that the market may view this as part of a warehousing deal rather than a sign of a further deterioration in demand in that part of the world.

Zinc has tracked copper this morning, and is also now trading sideways after initial weakness overnight. Of note, reports suggest that portside stockpiles of concentrate from the Century zinc mine will run out very shortly. The transport of concentrate from the mine to the storage facility at the port of Karumba was halted on October 5th, after the pipeline developed a leak.

By Leon Westgate

Precious metals

After yesterday's rally in precious metals, we believe that stocks may consolidate today. Equities in Asia are down, and so are the equity futures markets. US Treasury yields are down, signaling reduced risk appetite.

There could be price movements ahead of data releases in the US. PPI, long-term TIC flows and industrial production are on the menu today.

We believe gold remains well supported on the downside. Physical demand is not great, but it remains positive, and is providing good support for gold. At the same time, the dollar has failed to rally significantly on comments by Mr Bernanke that the Fed supports a strong dollar. **We see good support for gold at \$1,125 and \$1,110.** Our next target remains at \$1,150.

PGM broke through strong resistance yesterday. We remain bullish on PGM; however, platinum has to consolidate above \$1,400 before we would expect more upside. Palladium might encounter strong resistance at \$375-\$380.

In a surprise move, **silver breached \$18.00 yesterday.** The metal drew strength from gold and base metals. Copper's move above \$6,800 assisted silver and should support silver. We see support at \$18.00. A break lower could see the metal test \$17.75. Resistance is at \$18.70 and \$19.00.

By Walter de Wet

Energy

Crude oil benchmarks recovered on Monday, and gold hit a new high as the US dollar weakened and data showed that Japanese GDP grew at 4.8%. Adding to the buoyant mood was US October retail sales recording a 1.4% increase. Late last week, the NYMEX front-month contract dropped to a one-month low on a bearish US inventory report and a decline in US consumer confidence, which the market took as a signal that fuel demand could fall further.

NYMEX WTI has now had 16 closes below \$80/bbl, with one exception on 4 November. Oil demand appears caught in a long and extended bottom, with global demand down about -1m bpd from 2008 levels. In the key US market, last week's inventory report showed that US gasoline demand was down 4.5% over the last four weeks. Given the volatility of the market, crude prices could be dragged higher by a further rally in the US stock market and continued declines in the US dollar, but at least in the short term, the prospect of a correction back to the \$70-\$75/bbl range is possible — at least until demand picks up, particularly for heating oil and gasoil.

Thermal coal edged up marginally yesterday. API2 for delivery in December has closed at \$78.90, while API4 for delivery in the same month traded at \$76.70. However, thermal is set to drift within its recent range as long as crude oil fail to break above \$80/bbl.

By Walter de Wet

Base metals

Daily LME stock movement (mt)

Metal	Today	Yesterday	In	Out	One day change	YTD change (mt)	Cancelled warrants (mt)	Cancelled warrants (%)	Contract turnover	
Aluminium	4,560,325	4,537,025	27,000	3,700	23,300	2,231,425	123,450	2.71	204,353	
Copper	410,000	406,450	3,600	50	3,550	70,225	2,200	0.54	129,152	
Lead	132,400	132,225	275	100	175	87,250	675	0.51	29,348	
Nickel	132,912	131,880	1,092	60	1,032	54,522	1,212	0.91	21,331	
Tin	26,865	26,825	65	25	40	19,075	200	0.74	36,204	
Zinc	433,725	434,500	#N/A	N/A	775	-775	180,225	8,700	2.01	80,301

Shanghai 3-month forward prices

Metal	Open	Last	1d Change	COMEX active month future prices	Open	Close	Change	Change (%)
Aluminium	15,580	15,450	55	Ali Nov'09	-	-	-	-
Copper	53,800	53,400	1,060	Cu Nov'09	313	311.50	-1.35	-0.43%
Zinc	17,700	17,625	30					

ZAR metal prices (16 November 2009)

	Aluminium	Copper	Lead	Nickel	Tin	Zinc	ZAR/USD fix
Cash	14,319	49,456	16,906	121,491	109,829	16,238	7.3810
3-month	15,379	51,439	17,947	126,156	111,325	17,121	7.5093

Energy

Energy futures pricing	Price Change		Price Change		Price Change		Price Change		Price Change	
	1-month forward	2-month forward	3-month forward	6-month forward	1-year forward					
Sing Gasoil (\$/bbl)	83.43	-0.12	84.73	2.41	85.42	2.45	87.97	2.38		
Gasoil 0.1% Rdam (\$/mt)	628.75	0.25	639.75	0.25	647.75	0.25	667.75	0.25	703.25	17.75
NWE CIF jet (\$/mt)	675.65	9.53	684.50	17.50	697.60	17.50	724.64	17.50	763.92	17.75
Singapore Kero (\$/bbl)	84.29	0.07	86.28	2.56	87.12	2.55	89.57	2.45	94.92	2.48
3.5% Rdam barges (\$/mt)	450.46	11.19	452.53	12.26	454.75	11.73	458.44	11.81	464.51	11.39
1% Fuel Oil FOB (\$/mt)	472.08	13.56	470.53	11.01	481.25	10.23	491.69	11.31	511.51	11.64
Sing FO 380 Cargo (\$/mt)	473.78	10.76	475.25	11.23	476.31	11.38	479.00	11.34		
Sing FO180 Cargo (\$/mt)	468.38	4.11	477.03	10.76	479.25	11.23	482.69	11.31		

Thermal coal

	Q1-10	Q2-10	Q3-1	Cal 11	Cal 12
API2 (CIF ARA)	79.85	82.60	85.70	98.07	104.89
API4 (FOB RBCT)	72.25	74.35	76.70	88.30	94.79

Carbon

	Spot	Dec-09	Dec-10	Dec-11	Dec-12
ICE - ECX EUA (€/mt)	14.43	0.05	14.43	0.04	15.35
ICE - ECX CER (€/mt)	13.60	0.00	13.44	-0.01	13.28

Precious metals

Forwards (%)	1-month	2-month	3-month	6-month	12-month
Gold	0.27000	0.30167	0.33833	0.41500	0.59333
Silver	0.57833	0.57833	0.57833	0.58667	0.59833
USD Libor	0.23688	0.25000	0.27031	0.50625	1.05938

Technical Indicators	30-day RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	67.53	1,109.68	1,080.71	996.37	962.27	1,110	1,150
Silver	58.33	17.59	17.28	15.62	14.62	17.50	18.20
Platinum	62.94	1,377.26	1,358.67	1,272.94	1,207.63	1,400	1,450
Palladium	70.24	345.32	336.89	292.57	258.83	350	370

Active Month Future	COMEX GLD	COMEX SLV	NYMEX PAL	NYMEX PLAT	DGCX GLD	TOCOM GLD	CBOT GLD
	Dec'09	Sep'09	Oct'09	Oct'09	Oct'09	Jun'10	Oct'09
Settlement	1,131.80	18.1600	370.60	1,444.60	1,131.90	3,251.00	1,132.30
Open Interest	519,961	135,239	22,519	34,222	2,089	108,040	4,405
Change in Open Interest	-1,891	-1,252	-374	-617	0	-1,837	-24

Date: 16 November 2009

Sources: Standard Bank; LME; Bloomberg

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